

**MARQUETTE-ALGER REGIONAL  
EDUCATIONAL SERVICE AGENCY  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007**

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# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

MICHIGAN  
ESCANABA  
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## INDEPENDENT AUDITORS' REPORT

Board of Education  
Marquette-Alger Regional Educational Service Agency  
321 E. Ohio Street  
Marquette, Michigan 49855

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette-Alger Regional Education Service Agency, as of, and for the year ended June 30, 2007, which collectively comprise the Agency's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Marquette-Alger Regional Education Service Agency's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Marquette-Alger Regional Educational Service Agency, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2007, on our consideration of the Marquette-Alger Regional Educational Service Agency's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 5 thru 13 and 36 through 37, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Marquette-Alger Regional Educational Service Agency

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marquette-Alger Regional Educational Service Agency's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

October 26, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

Year Ended June 30, 2007

Marquette-Alger Regional Educational Service Agency ("MARESA" or "Agency") is an intermediate school district located in Marquette County, Michigan. MARESA is in its fifth year of implementation of the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34) with the enclosed financial statements. The Administration's Discussion and Analysis, a requirement of GASB 34, is intended to be MARESA's discussion and analysis of the financial results for the fiscal year ended June 30, 2007.

Generally Accepted Accounting Principles (GAAP) through GASB 34 requires the reporting of two types of financial statements: District-Wide Financial Statements and Fund Financial Statements.

#### **District-Wide Financial Statements**

The District-Wide Financial Statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The two required district-wide financial statements are the Statement of Net Assets and the Statement of Activities. The Statement of Net Assets includes all of the Agency's assets and liabilities. The Statement of Activities includes all of the current year's revenues and expenses that are accounted for regardless of when cash is received or paid.

Net Assets, the difference between the Agency's assets and liabilities, are one way to measure a district's financial health or position.

- Over time, increases or decreases in a district's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the district's overall health, one needs to consider additional non-financial factors such as changes in the district's property tax base and the condition of school buildings and other facilities.

In district-wide financial statements, the Statement of Activities is divided into two categories:

- **Governmental activities:** All of the Agency's basic services are included here, such as general and special education and administration. Property taxes and state funding finance most of these activities; and
- **Business-type activities:** The Agency does not have any activities reported as business-type activities.

#### **Fund Financial Statements**

Fund Financial Statements are reported on a modified accrual basis. Only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent that they are expected to be paid with current financial resources.

The Fund Financial Statements are formatted to comply with the legal requirements of the Michigan Department of Education's "Accounting Manual." In the State of Michigan, the following fund types and related activities are defined as followed:

### **Governmental Fund Types**

**General Fund:** The General Fund is the general operating fund and, accordingly, it is used to account for resources devoted to financing the general services of the Agency except those accounted for in another fund.

**Special Revenue Funds:** Special Revenue Funds are used to account for the activities of specific revenue sources such as special education.

**Capital Projects Fund:** The Capital Projects Fund is used to account for financial resources to be used for major capital expenditures, including equipment, not financed by proprietary funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

**Debt Service Fund:** The Debt Service Fund is used to accumulate resources for payment of interest and principal on long-term bonds payable.

#### Proprietary Fund Types

**Internal Service Funds:** Internal Service Funds are used to account for the financing of services provided by one department to another department within the governmental entity. The Agency's Internal Service Funds pay for various Agency unemployment claims and terminal leave benefits through user charges.

In the fund financial statements, purchased capital assets are reported as expenditures in the year of acquisition. No asset is reported. The issuance of debt is recorded as a financial resource. The current year's payments of principal and interest on long-term obligations are recorded as expenditures. Future year's debt obligations are not recorded.

#### Summary of Net Assets (District-Wide Financial Statement)

The condensed Statement of Net Assets as of June 30, 2007 and June 30, 2006, is as follows:

	June 30, 2007	June 30, 2006
Current Assets	\$ 7,612,532	\$ 7,184,117
Capital Assets	2,698,865	2,766,598
Other Assets	-	-
Total Assets	<u>10,311,397</u>	<u>9,950,715</u>
Current Liabilities	4,038,410	3,811,423
Non-current Liabilities	2,060,308	2,072,068
Total Liabilities	<u>6,098,718</u>	<u>5,883,491</u>
Investment in Capital Assets, Net of Related Debt	713,903	992,087
Unrestricted	3,498,776	3,075,137
Total Net Assets	<u>\$ 4,212,679</u>	<u>\$ 4,067,224</u>

#### Statement of Activities (District-Wide Financial Statement)

The condensed Statement of Activities for the fiscal year ended June 30, 2007 and June 30, 2006, is as follows:

	June 30, 2007	June 30, 2006
Charges for Services	\$ 293,280	\$ 526,402
Operating Grants	9,603,930	8,385,349
Property Taxes	4,133,871	3,803,602
State Aid	745,009	742,330
Other	319,167	425,043
Total Revenues	<u>15,095,257</u>	<u>13,882,726</u>
Instruction	964,072	977,684
Supporting Services	7,918,373	6,703,319
Community Services	516,071	479,373
Other	5,551,286	5,756,111
Total Expenses	<u>14,949,802</u>	<u>13,916,487</u>
Change in Net Assets	<u>145,455</u>	<u>(33,761)</u>
Net Assets at Beginning of Year	<u>\$4,067,224</u>	<u>\$4,100,985</u>
Net Assets at End of Year	<u>\$4,212,679</u>	<u>\$4,067,224</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

During the fiscal year ended June 30, 2007, the Agency's net assets increased \$145,455 or 4%.

#### **Fund Balances (Fund Financial Statements)**

The table below details the Agency's governmental fund balances

	June 30 2007	June 30 2006	Increase (Decrease)
General Fund	\$1,719,708	\$1,719,714	\$ (6)
Special Education Fund	933,716	920,990	12,726
Capital Projects Fund	546,080	547,412	(1,332)
Other Governmental Funds (Debt Service)	156,170	122	156,048
	<u>\$ 3,355,674</u>	<u>\$ 3,188,238</u>	<u>\$167,436</u>

The General fund decreased only \$6 due to Marquette-Alger RESA trying to maintain a balanced budget.

The Special Education fund increased \$12,726 mainly due to the increase in grant expenditures in which MARESA is the fiscal agent, and per the special education standing committee policy, to distribute all but 10% (equal to 10% of current year expenditures) of fund equity to local school districts.

The Capital Projects fund decreased \$1,332 due to the purchase of new laptops and tables for the computer lab offset by interest income for the year.

Proprietary Fund Net Assets of the Agency are detailed below:

	June 30 2007	June 30 2006	Increase (Decrease)
Retirement Fund	\$ (3,307)	\$ (8,435)	\$ 5,128
Unemployment Fund	285,578	272,592	12,986
	<u>\$ 282,271</u>	<u>\$ 264,157</u>	<u>\$ 18,114</u>

The Retirement Fund Net Assets increased \$5,128 due to transfer made from the General and Special Education Funds.

The Unemployment Fund increased \$12,986 due to interest earned on investments.

MARESA also oversees an agency fund that had \$9,720 of assets and liabilities as of June 30, 2007.

#### *Property Taxes levied for General Operations (General Fund Non-Homestead Taxes)*

The Agency levied .2092 mills of property taxes for General Fund operations and 1.7824 mills for Special Education operations on non-homestead properties. Under Michigan law, the taxable levy is based on the taxable valuation of properties. Annually, the taxable value increase for property is capped at the rate of the prior year's CPI increase, or five percent, whichever is less. At the time of sale, a property's taxable valuation is readjusted to the State Equalized Value, which approximates 50 percent of the market value.

The taxable value of real and personal property located in the District for the 2006 tax year totaled \$1,889,028,516 (consisting of \$941,597,114 for Homestead and \$947,431,402 for Non-Homestead).

The Agency's tax revenue for the 2006-2007 fiscal year was \$4,133,871 which represents approximately 27% of total revenues.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

### Budget and Actual Revenues and Expenditures (Required Supplementary Information)

Expenditures -- Budget vs. Actual for the year ended June 30, 2007

#### General Fund:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
Non- Grants	\$ 2,202,495	\$ 2,349,255	\$ 2,252,954	\$ 50,459	\$ (96,301)
Grants	-	5,410,983	3,490,298	3,490,298	(1,920,685)
Total	<u>\$ 2,202,495</u>	<u>\$ 7,760,238</u>	<u>\$ 5,743,252</u>	<u>\$ 3,540,757</u>	<u>\$ (2,016,986)</u>

#### Special Education Fund:

	Expenditures Original Budget	Expenditures Final Budget	Expenditures Final Actual	Expenditures Variance Actual & Original Budget	Expenditures Variance Actual & Final Budget
Non- Grants	\$ 4,149,083	\$ 5,361,211	\$ 5,607,243	\$ 1,458,160	\$ 246,032
Grants	-	4,680,852	3,366,912	3,648,446	(1,313,940)
Total	<u>\$ 4,149,083</u>	<u>\$ 10,042,063</u>	<u>\$ 8,974,155</u>	<u>\$ 5,106,606</u>	<u>\$ (1,067,908)</u>

### Revenue -- Budget vs. Actual

#### General Fund:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
Non- Grants	\$ 1,705,235	\$ 1,933,167	\$ 1,943,315	\$ 238,080	\$ 10,148
Grants	-	5,790,826	3,726,767	3,726,767	(2,064,059)
Total	<u>\$ 1,705,235</u>	<u>\$ 7,723,993</u>	<u>\$ 5,670,082</u>	<u>\$ 3,964,847</u>	<u>\$ (2,053,911)</u>

#### Special Education Fund:

	Revenues Original Budget	Revenues Final Budget	Revenues Final Actual	Revenues Variance Actual & Original Budget	Revenues Variance Actual & Final Budget
Non- Grants	\$ 5,140,325	\$ 5,565,137	\$ 5,697,854	\$ 557,529	\$ 132,717
Grants	-	5,062,969	3,648,446	3,648,446	(1,414,523)
Total	<u>\$ 5,140,325</u>	<u>\$ 10,628,106</u>	<u>\$ 9,346,300</u>	<u>\$ 4,205,975</u>	<u>\$ (1,281,806)</u>

### Original vs. Final Budget

The Uniform Budget Act of the State of Michigan requires that the local Board of Education approve the original budget for the upcoming fiscal year prior to July 1, the start of the fiscal year.

As a matter of practice, MARESA amends its budget twice during the fiscal year. For fiscal year June 30, 2007, the budget was amended in February and June 2007. The June 2007 budget amendment was the final budget for the fiscal year.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

### REVENUES:

Revenues changed from Original to Final Budget as follows:

#### General Fund:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 1,705,235	\$ 1,933,167	\$ 227,932	11.8%
Grants	-	5,790,826	5,790,826	N/A
Total	\$ 1,705,235	\$ 7,723,993	\$ 6,018,758	77.9%

#### Special Education Fund:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 5,140,325	\$ 5,565,137	\$ 424,812	7.6%
Grants	-	5,062,969	5,062,969	N/A
Total	\$ 5,140,325	\$ 10,628,106	\$ 5,487,781	51.6%

#### Including Grants:

Including grants, the Agency's final budgeted revenues differed from the original budget as follows:

- General Fund by \$6,018,758, a variance of 77.9%.
- Special Education Fund by \$5,487,781 or 51.6% greater than the original budget.

The significant increase in revenue for both funds can be attributed mainly to Grants. Grants are recognized on MARESA financial statements once MARESA receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets for both the General Fund and the Special Education Fund include grant revenues that will be utilized in the next fiscal year. The Agency budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Another Contributing factor for both funds was increased interest income revenue due to higher interest rates.

#### Excluding Grants:

Excluding grants, the Agency's final budgeted revenue in the:

- General Fund was \$1,933,167, which was \$227,932 or 11.8% greater than the original budget.
- Special Education Fund was \$5,062,969, which was \$424,812 or 7.6% greater than the original budget.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

#### EXPENDITURES

The Agency's budget for expenditures changed during the year as follows:

##### *General Fund:*

Description	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 2,202,495	\$ 2,349,255	\$ 146,760	6.3%
Grants	-	5,410,983	5,410,983	N/A
Total	\$ 2,202,495	\$ 7,760,238	\$ 5,557,743	71.6%

##### *Special Education Fund:*

Description	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Non-Grants	\$ 4,149,083	\$ 5,361,211	\$ 1,212,128	22.6%
Grants	-	4,680,852	4,680,852	N/A
Total	\$ 4,149,083	\$ 10,042,063	\$ 5,892,980	58.7%

##### *Including Grants:*

As indicated above, the Agency's final budgeted expenditures in the:

- General Fund was \$5,557,743 or 71.6% greater than the original budget.
- Special Education Fund was \$5,892,980 or 58.7% greater than the original budget.

The significant increase in expenditures for both funds can also be attributed mainly to Grants. Grants are recognized on MARESA financial statements once MARESA receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets for both the General Fund and the Special Education Fund include related grant expenditures that will be utilized in the next fiscal year. The Agency budgeted the entire grant awarded by the grantors, even if the grants were to be expended in multiple fiscal years. The grant awards not expended by June 30, 2007, and eligible for carryover, are expended in the next fiscal year. Another contributing factor was increases in budgeted transfers to the local education agencies.

##### *Excluding Grants:*

Excluding grants, the Agency's final budget expenditures in the:

- General Fund was \$146,760 or 6.3% greater than the original budget.
- Special Education Fund was \$1,212,128 or 22.6% greater than the original budget.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

### REVENUES -- Actual prior year vs. Actual current year for the year ended June 30, 2007

#### General Fund:

	June 30 2007	June 30 2006	Variance	
			Amount	Percent
Non-Grants	\$ 1,943,315	\$ 1,674,234	\$ 269,081	16.1%
Grants	3,726,767	2,855,858	870,909	30.5%
Total	<u>\$ 5,670,082</u>	<u>\$ 4,530,092</u>	<u>\$ 1,139,990</u>	<u>25.2%</u>

#### Special Education Fund:

	June 30 2007	June 30 2006	Variance	
			Amount	Percent
Non-Grants	\$ 5,697,854	\$ 5,208,975	\$ 488,879	9.4%
Grants	3,648,446	3,928,704	(280,258)	(7.1%)
Total	<u>\$ 9,346,300</u>	<u>\$ 9,137,679</u>	<u>\$ 208,621</u>	<u>2.3%</u>

#### Including Grants:

Including grants, the Agency's current year's final actual revenues differed from the prior year's actual revenues as follows:

- General Fund by \$1,139,990, a variance of 25.2% greater than last year's actual revenues.
- Special Education Fund by \$208,621 or 2.3% greater than last year's actual revenues.

The increase in revenue for the General Fund can be attributed mainly to Grants, Property Taxes, and Interest Income. In 06-07 it was the first full year MARESA was awarded as the Fiscal Agent of the State Performance Plan Grant. The significant increase in revenue for the Special Education fund can be attributed mainly to Medicaid FFS, Property Taxes, and Interest Income. Other contributing factors to the Special Education revenue were decreased State Improvement Grant Allocations and the elimination of the Professional Development Grant.

#### Excluding Grants:

Excluding grants, the Agency's current year's final actual revenues differed from the prior year's actual revenues as follows:

- General Fund was \$1,943,315, which was \$269,081 or 16.1% greater than last year's actual revenues.
- Special Education Fund was \$5,697,854, which was \$488,879 or 9.4% greater than last year's actual revenues.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

#### EXPENDITURES

The Agency's actual expenditures changed from last year as follows:

##### *General Fund:*

Description	June 30 2007	June 30 2006	Variance	
			Amount	Percent
Non-Grants	\$ 2,252,954	\$ 1,934,668	\$ 318,286	16.5%
Grants	3,490,298	2,206,278	1,284,020	58.2%
Total	<u>\$ 5,743,252</u>	<u>\$ 4,140,946</u>	<u>\$ 1,602,306</u>	<u>38.7%</u>

##### *Special Education Fund:*

Description	June 30 2007	June 30 2006	Variance	
			Amount	Percent
Non-Grants	\$ 5,607,243	\$ 996,346	\$ 4,610,897	462.8%
Grants	3,366,912	2,984,617	382,295	12.8%
Total	<u>\$ 8,974,155</u>	<u>\$ 3,980,963</u>	<u>\$ 4,993,192</u>	<u>125.4%</u>

##### *Including Grants:*

As indicated above, the Agency's current year's actual expenditures differed from the prior year's actual expenditures as follows:

- General Fund was \$1,602,306 or 38.7% greater than last year's actual expenditures.
- Special Education Fund was \$4,993,192 or 125.4% greater than last year's actual expenditures.

The significant increase in expenditures for the General Fund and Special Education fund can be attributed to transfer to local education agencies and other governmental units. Prior to 2006-07 transfers were considered Other Financial Uses, thus not included in the comparison. Due to changes in how transfers are being treated, they are now considered as part of the expenditures.

##### *Excluding Grants:*

Excluding grants, the Agency's final actual expenditures in the:

- General Fund was \$318,286 or 16.5% greater than last year's actual expenditures.
- Special Education Fund was \$4,610,897 or 462.8% greater than last year's actual expenditures.

#### **Long-Term Debt**

The Agency's long-term debt decreased \$27,293 from \$2,137,601 to \$2,110,308 as detailed in the Notes to Financial Statements, Note F - Long-Term Debt.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

#### Capital Assets at Year-End (Net of Depreciation)

MARESA's net investment in capital decreased by \$67,733 to \$2,698,865 mainly as a result of depreciation. A detail of the net investment in capital assets is presented in the Notes to Financial Statements, Note C-Capital Assets.

#### Capital Assets at Year-End (Net of Depreciation)

	Governmental Activities – 2007	Governmental Activities – 2006
Land	\$ 54,017	\$ 54,017
Building	2,573,514	2,630,598
Equipment	71,334	81,983
TOTALS	\$ 2,698,865	\$ 2,766,598

#### Currently Known Facts That May Have a Significant Impact on the Agency's Future

Currently there are no approved, planned, or unreported capital projects, commercial development; residential development; litigation; or approved debt that will have a material impact on Agency operations.

#### Contacting the Agency's Financial Management

This financial report is designed to provide our citizens and taxpayers with a general overview of the Agency's finances. If you have questions about this report or need additional information, contact the Business and Finance Office, of MARESA at:

321 E. Ohio Street  
Marquette, MI 49855  
(906) 226-5106

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Statement of Net Assets**  
**June 30, 2007**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 4,936,441
Investments	8,220
Receivables:	
Accounts receivable	195,028
Due from other governmental units	2,398,749
Other current assets	<u>74,094</u>
<b>TOTAL CURRENT ASSETS</b>	<u>7,612,532</u>
<b>Non-current assets:</b>	
Capital assets - net of accumulated depreciation	<u>2,698,865</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>2,698,865</u>
<b>TOTAL ASSETS</b>	<u>10,311,397</u>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	1,528,257
Accrued liabilities	358,989
Due to other governmental units	1,873,687
Deferred revenue	187,778
Accrued interest	13,823
Current portion of long term debt obligations	50,000
Other current liabilities	<u>25,876</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>4,038,410</u>
<b>Non-current liabilities:</b>	
Compensated absences	125,346
Bonds payable	<u>1,934,962</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>2,060,308</u>
<b>TOTAL LIABILITIES</b>	<u>6,098,718</u>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	713,903
Unrestricted	<u>3,498,776</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 4,212,679</u>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Statement of Activities**  
**For the Year Ended June 30, 2007**

Function / Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities:</b>				
Instruction	\$ 964,072	\$ 35,700	\$ 620,552	\$ (307,820)
Support services	7,918,373	257,580	6,611,197	(1,049,596)
Community services	516,071	-	408,421	(107,650)
Interest on retirement of debt	84,915	-	-	(84,915)
Payments to other governmental agencies	5,382,361	-	1,963,760	(3,418,601)
Other	2,106	-	-	(2,106)
Depreciation- unallocated	81,904	-	-	(81,904)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>14,949,802</b>	<b>293,280</b>	<b>9,603,930</b>	<b>(5,052,592)</b>
<b>General revenues:</b>				
Taxes				
Property taxes, levied for general purposes				4,133,871
Unrestricted Federal and State Aid				745,009
Interest and investment earnings				293,934
Miscellaneous				25,233
<b>TOTAL GENERAL REVENUES AND TRANSFERS</b>				<b>5,198,047</b>
			<b>CHANGES IN NET ASSETS</b>	<b>145,455</b>
Net Assets , July 1				4,067,224
			<b>NET ASSETS, JUNE 30</b>	<b>\$ 4,212,679</b>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2007**

	General Fund	Special Education Fund	Capital Projects Fund	Other Non-Major Governmental Funds Debt Service Fund	Total
<b>ASSETS:</b>					
Cash and cash equivalents	\$ 1,271,534	\$ 2,583,950	\$ 575,740	\$ 75,170	\$ 4,506,394
Investments	-	1,717	1,547	-	3,264
Receivables:					
Accounts receivable	99,540	95,488	-	-	195,028
Due from other governmental units	999,909	1,398,840	-	-	2,398,749
Due from other funds	18,541	-	-	81,000	99,541
Other current assets	67,936	6,158	-	-	74,094
<b>TOTAL ASSETS</b>	<b>\$ 2,457,460</b>	<b>\$ 4,086,153</b>	<b>\$ 577,287</b>	<b>\$ 156,170</b>	<b>\$ 7,277,070</b>
<b>LIABILITIES AND FUND BALANCES:</b>					
<b>LIABILITIES:</b>					
Accounts payable	\$ 336,642	\$ 1,177,062	\$ 14,553	\$ -	\$ 1,528,257
Accrued liabilities	57,201	146,788	-	-	203,989
Due to other government units	71,035	1,802,652	-	-	1,873,687
Due to other funds	83,075	2,080	16,654	-	101,809
Deferred revenue	163,923	23,855	-	-	187,778
Other liabilities	25,876	-	-	-	25,876
<b>TOTAL LIABILITIES</b>	<b>737,752</b>	<b>3,152,437</b>	<b>31,207</b>	<b>-</b>	<b>3,921,396</b>
<b>FUND BALANCES:</b>					
Unreserved, reported in:					
Designated:					
General Fund	338,903	-	-	-	338,903
Undesignated:					
General Fund	1,380,805	-	-	-	1,380,805
Special Education Fund	-	933,716	-	-	933,716
Capital Projects Fund	-	-	546,080	-	546,080
Debt Service Fund	-	-	-	156,170	156,170
<b>TOTAL FUND BALANCES</b>	<b>1,719,708</b>	<b>933,716</b>	<b>546,080</b>	<b>156,170</b>	<b>3,355,674</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,457,460</b>	<b>\$ 4,086,153</b>	<b>\$ 577,287</b>	<b>\$ 156,170</b>	<b>\$ 7,277,070</b>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Governmental Funds**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2007**

**Total Fund Balances for Governmental Funds** **\$ 3,355,674**

*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Cost of capital assets	3,135,002	
Accumulated depreciation	<u>(436,137)</u>	
		2,698,865

Internal service funds are used by the Agency to charge individual funds the cost of retirement and unemployment benefits. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

282,271

Long-term liabilities are not due and payable in the current period and are not reported in the funds. Long-term liabilities at year-end consist of:

Compensated absences	125,346	
Bonds payable - current portion	50,000	
Bonds payable - long-term portion	1,934,962	
Accrued interest	<u>13,823</u>	
		<u>(2,124,131)</u>

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 4,212,679**

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Governmental Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2007**

	General Fund	Special Education Fund	Capital Projects Fund	Other Non-Major Governmental Funds Debt Service Funds	Total
<b>REVENUES:</b>					
Local sources	\$ 1,542,310	\$ 4,968,228	\$ 29,874	\$ 53	\$ 6,540,465
State sources	1,148,077	724,913	-	-	1,872,990
Federal sources	2,979,665	3,653,159	-	-	6,632,854
<b>TOTAL REVENUES</b>	<b>5,670,082</b>	<b>9,346,300</b>	<b>29,874</b>	<b>53</b>	<b>15,046,309</b>
<b>EXPENDITURES:</b>					
Instruction	140,445	823,627	-	-	964,072
Support services	4,698,315	3,154,482	31,206	-	7,884,003
Community services	469,877	46,194	-	-	516,071
Debt Service:					
Principal	-	-	-	45,000	45,000
Interest	-	-	-	85,260	85,260
Payments to other governmental agencies	434,315	4,948,046	-	-	5,382,361
Other	300	1,806	-	-	2,106
<b>TOTAL EXPENDITURES</b>	<b>5,743,252</b>	<b>8,974,155</b>	<b>31,206</b>	<b>130,260</b>	<b>14,878,873</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(73,170)</b>	<b>372,145</b>	<b>(1,332)</b>	<b>(130,207)</b>	<b>167,436</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in (out)	73,164	(359,419)	-	286,255	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>73,164</b>	<b>(359,419)</b>	<b>-</b>	<b>286,255</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(6)</b>	<b>12,726</b>	<b>(1,332)</b>	<b>156,048</b>	<b>167,436</b>
Fund Balance, July 1	1,719,714	920,990	547,412	122	3,189,238
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,719,708</b>	<b>\$ 933,716</b>	<b>\$ 546,080</b>	<b>\$ 156,170</b>	<b>\$ 3,355,674</b>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Governmental Funds**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures**  
**and Changes in Fund Balance to the Statement of Activities**  
**For the Year Ended June 30, 2007**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>167,436</b>
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*Amounts reported for governmental activities in the statement of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(81,904)	
Capital Outlay - Support Services	<u>14,171</u>	(67,733)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		45,000
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Interest on long-term debt is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. This is the amount of accrued interest recognized in the statement of activities.		345
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In the Statement of Activities, certain operating expenses related to compensated absences are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This is the amount paid leave exceeded the amount earned.		(17,707)
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Internal service funds are used by the Agency to charge individual funds the cost of retirement and unemployment benefits. The net expense of the funds is reported with governmental activities.		<u>18,114</u>
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<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>145,455</u></b>
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**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Proprietary Funds**  
**Statement of Net Assets**  
**June 30, 2007**

	<b>Internal Service Funds</b>		<b>Governmental Activities: Total Internal Service Funds</b>
	<b>Retirement Fund</b>	<b>Unemployment Fund</b>	
<b>ASSETS:</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 144,761	\$ 285,286	\$ 430,047
Investments	2,777	2,179	4,956
Due from other funds	4,155	-	4,155
<b>TOTAL ASSETS</b>	<b>151,693</b>	<b>287,465</b>	<b>439,158</b>
<b>LIABILITIES:</b>			
<b>Current liabilities:</b>			
Accrued liabilities	155,000	-	155,000
Due to other funds	-	1,887	1,887
<b>TOTAL LIABILITIES</b>	<b>155,000</b>	<b>1,887</b>	<b>156,887</b>
<b>Net Assets</b>			
Unrestricted	(3,307)	285,578	282,271
<b>TOTAL NET ASSETS</b>	<b>\$ (3,307)</b>	<b>\$ 285,578</b>	<b>\$ 282,271</b>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Proprietary Funds**  
**Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2007**

	<b>Internal Service Funds</b>		<b>Governmental Activities: Total Internal Service Funds</b>
	<b>Retirement Fund</b>	<b>Unemployment Fund</b>	
<b>OPERATING REVENUES:</b>			
Other	\$ 26,667	\$ -	\$ 26,667
<b>TOTAL OPERATING REVENUES</b>	<b>26,667</b>	<b>-</b>	<b>26,667</b>
<b>OPERATING EXPENSES:</b>			
Retirement benefits	28,947	-	28,947
Unemployment	-	1,887	1,887
<b>TOTAL OPERATING EXPENSES</b>	<b>28,947</b>	<b>1,887</b>	<b>30,834</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(2,280)</b>	<b>(1,887)</b>	<b>(4,167)</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest income	7,408	14,873	22,281
<b>TOTAL NON-OPERATING REVENUES</b>	<b>7,408</b>	<b>14,873</b>	<b>22,281</b>
<b>CHANGE IN NET ASSETS</b>	<b>5,128</b>	<b>12,986</b>	<b>18,114</b>
Net Assets, July 1	(8,435)	272,592	264,157
<b>NET ASSETS, JUNE 30</b>	<b>\$ (3,307)</b>	<b>\$ 285,578</b>	<b>\$ 282,271</b>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2007**

	<b>Internal Service Funds</b>		<b>Governmental Activities: Total Internal Service Funds</b>
	<b>Retirement Fund</b>	<b>Unemployment Fund</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from other operating revenues	\$ 22,512	\$ -	\$ 22,512
Cash payments to state for unemployment services	-	-	-
Cash payments to employees for services	(20,447)	-	(20,447)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>2,065</u>	<u>-</u>	<u>2,065</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers in (out)	-	-	-
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	7,408	14,873	22,281
(Purchase) sale of investments	(137)	(107)	(244)
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<u>7,271</u>	<u>14,766</u>	<u>22,037</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>9,336</u>	<u>14,766</u>	<u>24,102</u>
Cash and cash equivalents, July 1	<u>135,425</u>	<u>270,520</u>	<u>405,945</u>
<b>CASH AND CASH EQUIVALENTS, JUNE 30</b>	<u>\$ 144,761</u>	<u>\$ 285,286</u>	<u>\$ 430,047</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	\$ (2,280)	\$ (1,887)	\$ (4,167)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Change in assets and liabilities:			
(Increase) decrease in due from other funds	(4,155)	-	(4,155)
Increase (decrease) in accrued liabilities	8,500	-	8,500
Increase (decrease) in due to other funds	-	1,887	1,887
<b>TOTAL ADJUSTMENTS</b>	<u>4,345</u>	<u>1,887</u>	<u>6,232</u>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 2,065</u>	<u>\$ -</u>	<u>\$ 2,065</u>

See Notes to Financial Statements.

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2007**

	<u>Agency Fund</u>
<b>ASSETS:</b>	
Cash and equivalents	\$ <u>9,720</u>
<b>TOTAL ASSETS</b>	<u>\$ 9,720</u>
<b>LIABILITIES:</b>	
Due to groups, organizations and activities	\$ <u>9,720</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 9,720</u>

See Notes to Financial Statements.

# MARQUETTE-ALGER REGIONAL EDUCATION SERVICE AGENCY

## NOTES TO FINANCIAL STATEMENTS

June 30, 2007

### NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Marquette-Alger Regional Education Service Agency (Agency) is an intermediate school district as defined by Michigan law that operates under a locally appointed seven-member Board form of government that provides educational and supportive services to the students of the thirteen local educational agencies and chartered schools within the counties of Marquette and Alger in the State of Michigan. The Agency also acts as a fiscal intermediary as mandated by various grantor agencies as defined in grant agreements.

The Agency's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local units of government through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Agency is discussed below:

#### *Reporting Entity*

In evaluating how to define the Agency for financial reporting purposes, management has considered the criteria included in GASB Statement No. 14 to determine if any legally separate entities are component units. Based upon the application of these criteria, the financial statements of the Agency contain all of the funds controlled by the Agency's Board of Education, as no other entity meets the criteria to be considered a component unit of the Agency nor is the Agency a component unit of another entity.

#### *Basic Financial Statements – Government-Wide Statements*

The Agency's basic financial statements include both government-wide and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The Agency's instruction, support, and community services are classified as governmental activities. The Agency does not have any business-type activities.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis, and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Agency's net assets are reported as investment in capital assets, net of related debt, and unrestricted.

The government-wide Statement of Activities reports both the gross and net cost of each of the Agency's functions. General government revenues (property taxes, state aid, etc.) support the functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants directly associated with the function.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The government-wide focus emphasizes the sustainability of the Agency as an entity and the change in the Agency's net assets resulting from the current year's activities.

### *Basic Financial Statements – Fund Financial Statements*

The financial transactions of the Agency are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

The following fund types are used by the Agency:

#### Governmental Funds

The focus of the governmental funds' measurement is based upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Agency:

- **General Fund** – The General Fund is the general operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.
- **Special Education Fund** – The Special Education Fund is used to account for financial resources that provide special education services.
- **Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources of major capital expenditures, including equipment.
- **Debt Service Fund** – The Debt Service Fund is used to accumulate resources for the periodic payment of interest and principal on long-term debt.

#### Proprietary Funds

The focus of proprietary funds' measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows. The following is a description of the Proprietary Funds of the Agency:

- **Internal Service Funds** – Internal Service Funds are used to account for the financing of services provided by an activity to other departments, funds, or component units, if any, on a cost-reimbursement basis. The Agency uses two internal service funds to account for unemployment and retirement benefits.

#### Fiduciary Funds

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and, therefore, are not available to support Agency programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on the major funds. Non-major funds by category are summarized into a single column for presentation. GASB Statement No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues, or expenditures/expenses of either fund category or the governmental combined) for the determination of major funds.

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

The Agency's Internal Service Funds are presented in the Proprietary Funds' financial statements. Because the principal users of the services are the Agency's governmental activities, the financial statements are consolidated into the governmental activities column when presented in the government-wide financial statements.

The Agency's Fiduciary Fund is presented in the fund financial statements by type. Since, by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the government-wide financial statements.

### *Basis of Accounting*

The basis of accounting refers to the point at which revenues and expenditures/expense are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Government activities in government-wide financial statements and proprietary and fiduciary fund financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded susceptible to accrual; that is, both measurable and available. "Available" means collectible within the current period or within sixty days after year-end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred, except for principal and interest on general obligation debt, if any, is recognized when due.

### *Financial Statement Amounts*

Cash and Cash Equivalents – The Agency has defined cash and cash equivalents to include cash on hand, demand deposits, and time deposits with an initial maturity of three months or less.

Investments – The Agency holds investments, where cost equals market value, in governmental mutual funds, and in the Michigan Liquid Asset Fund investment pool.

Capital Assets – Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical or estimated historical cost. Contributed assets, if any, are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significant extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives.

Buildings and Improvements	20 – 50 Years
Furniture and Fixtures	5 – 10 Years
Vehicles	8 Years

General capital assets are those not reported in proprietary funds, and generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the Government-Wide Statement of Net Assets, but are reported in the fund financial statements as capital outlay expenditures.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Accrued Liabilities and Long-Term Obligations – Payables and accrued liabilities that will be paid from governmental funds are reported on governmental fund financial statements regardless of whether they will be liquidated with current financial resources. The non-current portion of capital leases and compensated absences, that will be paid from governmental funds are reported as a liability in fund financial statements only to the extent that they will be paid with current, expendable, available financial resources (generally, within sixty days of year-end). Bonds and other non-current liabilities that will be paid from governmental funds are not recognized as a liability in fund financial statements until due.

Deferred Revenue – In the Agency-wide statements, deferred revenue is recognized when cash, receivables, or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The Agency has reported deferred revenue of \$163,923 in the General Fund and \$23,855 in the Special Education Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

Net Assets – Net Assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted only when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or other government regulation.

Interfund Activity – As a general rule, the effect of interfund activity has been eliminated from the Agency-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned. In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Special Items – Special items are transactions or events that are within the control of the Agency, and that are either unusual in nature or infrequent in occurrence.

Use of Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Process – The Agency follows budgetary process prescribed by provisions of the State of Michigan Uniform Budgeting and Accounting Act, and entails the preparation of budgetary documents within an established timetable. All funds are legally required to be budgeted and appropriated with the exception of fiduciary funds. The legal level of budgetary control has been established at the functional level with modifications made only by a resolution of the Board. At the close of each year, budget appropriations lapse.

## NOTE B – DEPOSITS AND INVESTMENTS:

### Cash Equivalents

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Unrestricted:			
Cash and equivalents	\$4,936,441	\$9,720	\$4,946,161
Investments	8,220	-	8,220
Restricted:			
Cash and equivalents	-	-	-
Investments	-	-	-
Total	<u>\$4,944,661</u>	<u>\$9,720</u>	<u>\$4,954,381</u>

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the Agency's deposits may not be returned to it. State law does not require and the Agency does not have a deposit policy for custodial credit risk. The carrying amounts of the Agency's deposits with financial institutions were \$4,946,161 and the bank balance was \$5,287,208. The bank balance is categorized as follows:

Amount insured by the FDIC	\$ 117,609
Amount uncollateralized and uninsured	5,169,599
Total	<u>\$ 5,287,208</u>

### Investments

As of June 30, 2007, the Agency had the following investments.

Investment Type	Fair Value	Investment Maturities Less than 1 year
Michigan Liquid Asset Fund – mutual funds	<u>\$8,220</u>	<u>\$8,220</u>

### *Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the Agency's investments. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

### *Credit Risk*

Michigan statutes authorize the Agency to invest in bonds, other direct obligations and repurchase agreements of the United States, certificates of deposits, savings accounts, deposit accounts or receipts of a bank which is a member of the FDIC and authorized to operate in this state, commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and matures within 270 days from date of purchase, bankers' acceptances of the United States banks, obligations of the State of Michigan and its political subdivisions, external investment pools, and certain mutual funds. Michigan law prohibits security in the form of collateral, surety bond, or another form for the deposit of public money.

**NOTE B – DEPOSITS AND INVESTMENTS (Continued):**

The Agency has no investment policy that would further limit its investment choices and has no investments for which ratings are required. The Agency's investments are in accordance with statutory authority.

**NOTE C – CAPITAL ASSETS:**

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Non-Depreciated Capital Assets:				
Land	\$54,017	\$ -	\$ -	\$54,017
Subtotal	54,017	-	-	54,017
Other Capital Assets:				
Building	2,854,178	-	-	2,854,178
Equipment	212,636	14,171	-	226,807
Subtotal	3,066,814	14,171	-	3,080,985
Total Capital Assets	3,120,831	14,171	-	3,135,002
Accumulated Depreciation:				
Building	(223,580)	(57,084)	-	(280,664)
Equipment	(130,653)	(24,820)	-	(155,473)
Subtotal	(354,233)	(81,904)	-	(436,137)
NET CAPITAL ASSETS	\$2,766,598	\$(67,733)	\$-	\$2,698,865

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Unallocated	\$ 81,904
Total Governmental Activities Depreciation Expense	\$ 81,904

**NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

The Agency reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

**NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS)**  
(Continued):

Due From Other Funds					
	General Fund	Debt Service Fund	Retirement Fund	Total Due To Other Funds	
Due To Other Funds	General Fund	\$ -	\$ 81,000	\$ 2,075	\$ 83,075
	Special Education Fund	-	-	2,080	2,080
	Capital Projects Fund	16,654	-	-	16,654
	Unemployment Fund	1,887	-	-	1,887
	Total Due From Other Funds	\$ 18,541	\$ 81,000	\$ 4,155	\$ 103,696

All balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. See table below.

Transfer Out To Other Funds			
	General Fund	Special Education Fund	Total Transfers In
Transfer In From Other Funds	General Fund	\$ 73,164	\$ 73,164
	Debt Service Fund	286,255	286,255
	Total Transfers Out	\$ 359,419	\$ 359,419

In 2006-07 the Special Education Fund transferred \$359,419 to the General Fund, while the General Fund transferred \$286,255 to the Debt Service Fund.

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**NOTE E – TERMINAL LEAVE:**

Upon retirement from the Agency and upon simultaneously becoming eligible for benefits from the Michigan Public School Employees' Retirement System, the Agency shall pay to certain eligible employee's terminal leave benefits based upon various labor and union contract terms or administrative policies. These funds are accrued in the Terminal Leave Fund, which is an Internal Service Fund, as accrued liabilities to meet this obligation. The balance at June 30, 2007 is \$155,000.

## NOTE F – LONG-TERM DEBT:

A summary of the changes in long-term debt for the year ended June 30, 2007, is as follows:

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
Governmental Activities General				
Long-Term Debt:				
School Building and Site Bonds, Series 2002	\$1,755,000	\$ -	\$45,000	\$1,710,000
School Improvement Bond, Series 1998	274,962	-	-	274,962
Compensated absences	107,639	17,707	-	125,346
Total	<u>\$2,137,601</u>	<u>\$17,707</u>	<u>\$45,000</u>	<u>\$2,110,308</u>

The annual debt service requirements to maturity, including both principal and interest, for the non-current liabilities (excluding compensated absences) are as follows:

Year Ended June 30	Principal	Interest	Total
2008	50,000	82,940	132,940
2009	75,916	87,425	163,341
2010	214,596	138,456	353,052
2011	83,442	80,068	163,510
2012	89,795	76,185	165,980
2013-2017	391,213	322,464	713,677
2018-2022	475,000	224,392	699,392
2023-2027	605,000	92,500	697,500
Total	<u>\$1,984,962</u>	<u>\$1,104,430</u>	<u>\$3,089,392</u>

### SCHOOL IMPROVEMENT BOND, SERIES 1998

The Agency participated in the School Improvement Bond, Series 1998, to obtain one-half of their allocation of the statewide Durant Settlement. As part of the settlement, the Agency will receive one-half of their total settlement of \$931,342 over a ten-year period. The other half of the settlement was received through bond proceeds obligated to the Agency. The debt service requirements of the bonds funded through annual state aid payments are repaid over a fifteen -year period that began May 15, 1999. A schedule of the Agency's remaining bond repayment requirements are as follows:

Year Ended June 30	Governmental Activities Durant Bonds		
	Principal	Interest	Total
2008	-	-	-
2009	25,916	6,785	32,701
2010	159,596	60,116	219,712
2011	28,442	4,258	32,700
2012	29,795	2,905	32,700
2013	31,213	1,486	32,699
Total	<u>\$274,962</u>	<u>\$75,550</u>	<u>\$350,512</u>

**NOTE F – LONG-TERM DEBT (Continued):****SCHOOL BUILDING AND SITE BONDS, SERIES 2002**

The Agency obtained general obligation bonds in the amount to \$1,900,000 for the purchase and renovation of a new instructional and administration building. The interest, payable semiannually on May 1 and November 1 of each year, ranges from 4.60 percent to 5.00 percent. Principal is payable in varying amounts on May 1. Bonds maturing after 2011 are eligible for redemption. The Agency's remaining bond repayment requirements are as follows:

June 30	Governmental Activities General Obligation			
	November 1	May 1		Total
	Interest	Principal	Interest	
2008	41,470	50,000	41,470	132,940
2009	40,320	50,000	40,320	130,640
2010	39,170	55,000	39,170	133,340
2011	37,905	55,000	37,905	130,810
2012	36,640	60,000	36,640	133,280
2013 – 2017	160,489	360,000	160,489	680,978
2018 – 2022	112,196	475,000	112,196	699,392
2023 – 2027	46,250	605,000	46,250	697,500
Total	<u>\$514,440</u>	<u>\$1,710,000</u>	<u>\$514,440</u>	<u>\$2,738,880</u>

**NOTE G – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

The Agency contributes to the Michigan Public School Employees' Retirement System (MPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the Michigan Department of Management and Budget, Office of Retirement Systems. MPERS provides retirement, survivor, and disability benefits to public school employees. Eligibility and benefit provisions are governed under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. MPERS issues a publicly available financial report that includes financial statements and required supplementary information.

The annual report may be obtained by writing to the Department of Management and Budget, Office of Retirement Systems, P.O. Box 30171, Lansing, Michigan 48909-7671, or by calling (517) 322-5103.

The Agency is required by state statute to contribute 16.34 percent of covered payroll from July 1, 2005 to September 30, 2006, and 17.74 percent from October 1, 2006 to June 30, 2007. Contributions to MPERS are determined on an actuarial basis using the entry age normal actuarial cost method. Contribution requirements of plan members including the Agency are established and may be amended only by state statute. The Agency's contributions to MPERS for the years ending June 30, 2007, 2006, and 2005 were \$651,721, \$524,359, and \$414,917, respectively. Required contributions payable at June 30, 2007, 2006, and 2005 of \$25,908, \$23,587, and \$17,613, respectively, were remitted after year-end.

**NOTE G – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN**  
**(Continued):**

Mandatory member contributions were phased out between 1974 and 1977, with the plan remaining noncontributory until January 1, 1987, when the Member Investment Plan (MIP) was enacted. MIP members enrolled prior to January 1, 1990, contribute at a permanently fixed rate of 3.9 percent of gross wages. The MIP contribution rate was 4.0 percent from January 1, 1987, the effective date of the MIP, until January 1, 1990, when it was reduced to 3.9 percent. Members first hired January 1, 1990, or later and returning members who did not work January 1, 1987 through December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3 percent of the first \$5,000; 3.6 percent of \$5,001 through \$15,000; 4.3 percent of all wages over \$15,000. Basic Plan members make no contributions. Contributions collected and remitted by the School Agency on behalf of MIP members for the years ending June 30, 2007, 2006, and 2005, were \$123,185, \$101,661, and \$87,475, respectively, equal to the required contributions for each year.

Other Post-Employment Benefits

In addition to the pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

**NOTE H – PROPERTY TAXES:**

The taxable value of real and personal property located in the Agency's geographic area at December 1, 2006, totaled \$1,872,706,991 representing approximately 50 percent of the estimated current value. The tax levy for the year was based on millage rates of .2123 mills for general education and 1.80840 mills for special education (one mill is equal to \$1.00 per \$1,000 of taxable value).

**NOTE I – RISK ASSESSMENT MANAGEMENT:**

The Agency is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency, together with approximately 334 other school districts in the State, participates in the MASB-SEG Property/Casualty Pool, Inc., (Pool), a governmental group property and casualty self-insurance pool. The Agency pays an annual premium to the Pool for its general insurance, workers' compensation, and errors and omissions coverage. Members' contributions to the Pool in excess of claim losses, expenses, and other costs may be refunded. The Pool may assess members a supplemental assessment in the event of deficiencies.

The Pool limits the maximum net loss that may arise from large risks or risks in concentrated areas of exposure by reinsuring certain levels of risk with other insurers or re-insurers. The Agency's comprehensive and fleet insurance coverage is limited to a maximum of \$5,000,000 per occurrence for all claims. The Pool is responsible for paying

**NOTE I – RISK ASSESSMENT MANAGEMENT (Continued):**

costs up to the insurance limits with any additional costs covered by the Agency.

The Agency estimates that the amount of actual or potential claims, if any, against the Agency as of June 30, 2007, exceeding the risk pools' coverage, is not material to the basic financial statements. Therefore, no provision for estimated claims is recognized.

**NOTE J – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2007 as follows:

	<u>Governmental Activities</u>
Accrued wages	\$ 146,045
Accrued fringes	212,944
	<u>\$ 358,989</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 869,078	\$ 1,958,578	\$ 1,542,310	\$ 1,089,500	\$ (416,268)
State sources	835,792	1,187,747	1,148,077	351,955	(39,670)
Federal sources	365	4,577,668	2,979,695	4,577,303	(1,597,973)
<b>TOTAL REVENUES</b>	<b>1,705,235</b>	<b>7,723,993</b>	<b>5,670,082</b>	<b>6,018,758</b>	<b>(2,053,911)</b>
<b>EXPENDITURES:</b>					
Instruction	61,200	155,279	140,445	(94,079)	14,834
Support services:					
Pupil services	60,139	313,521	258,191	(253,382)	55,330
Instructional staff services	725,784	1,424,958	1,094,105	(699,174)	330,853
General administration services	248,615	227,485	216,172	21,130	11,313
Business administration services	385,785	351,510	339,262	34,275	12,248
Operations and maintenance	205,628	194,699	183,291	10,929	11,408
Pupil transportation	-	-	-	-	-
Central services	396,539	836,060	799,468	(439,521)	36,592
Other support services	-	2,996,242	1,807,826	(2,996,242)	1,188,416
Total Support Services	2,022,490	6,344,475	4,698,315	(4,321,985)	1,646,160
Community Services	95,617	589,823	469,877	(494,206)	119,946
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Payments to other governmental agencies	22,938	670,360	434,315	(647,422)	236,045
Other	250	301	300	(51)	1
<b>TOTAL EXPENDITURES</b>	<b>2,202,495</b>	<b>7,760,238</b>	<b>5,743,252</b>	<b>(5,557,743)</b>	<b>2,016,986</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(497,260)</b>	<b>(36,245)</b>	<b>(73,170)</b>	<b>461,015</b>	<b>(36,925)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfer in (out)	293,230	169,670	73,164	(123,560)	(96,506)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>293,230</b>	<b>169,670</b>	<b>73,164</b>	<b>(123,560)</b>	<b>(96,506)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(204,030)</b>	<b>133,425</b>	<b>(6)</b>	<b>337,455</b>	<b>(133,431)</b>
Fund Balance, July 1	1,719,714	1,719,714	1,719,714	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,515,684</b>	<b>\$ 1,853,139</b>	<b>\$ 1,719,708</b>	<b>\$ 337,455</b>	<b>\$ (133,431)</b>

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**  
**Special Education Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2007**

	Budgeted Amounts		Actual	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
<b>REVENUES:</b>					
Local sources	\$ 4,368,525	\$ 4,832,280	\$ 4,968,228	\$ 463,755	\$ 135,948
State sources	703,750	725,489	724,913	21,739	(576)
Federal sources	68,050	5,070,337	3,653,159	5,002,287	(1,417,178)
<b>TOTAL REVENUES</b>	<b>5,140,325</b>	<b>10,628,106</b>	<b>9,346,300</b>	<b>5,487,781</b>	<b>(1,281,806)</b>
<b>EXPENDITURES:</b>					
Instruction	484,017	873,177	823,627	(389,160)	49,550
Support services:					
Pupil services	353,653	1,464,546	1,373,724	(1,110,893)	90,822
Instructional staff services	398,825	562,638	419,874	(163,813)	142,764
General administration services	-	77,338	75,053	(77,338)	2,285
Business administration services	112,040	97,325	100,913	14,715	(3,588)
Operations and maintenance	13,077	13,579	12,562	(502)	1,017
Pupil Transportation	2,000	3,000	2,288	(1,000)	712
Central services	-	2,092,859	1,170,068	(2,092,859)	922,791
Other support services	-	-	-	-	-
Total Support Services	879,595	4,311,285	3,154,482	(3,431,690)	1,156,803
Community services	6,000	70,492	46,194	(64,492)	24,298
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Payments to other governmental agencies	2,779,471	4,785,109	4,948,046	(2,005,638)	(162,937)
Other	-	2,000	1,806	(2,000)	194
<b>TOTAL EXPENDITURES</b>	<b>4,149,083</b>	<b>10,042,063</b>	<b>8,974,155</b>	<b>(5,892,980)</b>	<b>1,067,908</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>991,242</b>	<b>586,043</b>	<b>372,145</b>	<b>(405,199)</b>	<b>(213,898)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in (out)	(212,263)	(374,925)	(359,419)	(162,662)	15,506
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(212,263)</b>	<b>(374,925)</b>	<b>(359,419)</b>	<b>(162,662)</b>	<b>15,506</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>778,979</b>	<b>211,118</b>	<b>12,726</b>	<b>(567,861)</b>	<b>(198,392)</b>
Fund Balance, July 1	920,990	920,990	920,990	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ 1,699,969</b>	<b>\$ 1,132,108</b>	<b>\$ 933,716</b>	<b>\$ (567,861)</b>	<b>\$ (198,392)</b>

## OTHER INFORMATION

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award/	Due to (From)	Subrecipient	Subrecipient	Current Year Cash	Due to (From)	
Subrecipient Name	CFDA #	MARESA Program #	Contract Amount	Subrecipients 6/30/2006	Prior Year Expenditures	Current Year Expenditures	Trans to Recipients	Subrecipients 6/30/2007	Adjustments
<b>Title II-D Ed Tech (1/12/07-6/30/08)</b>									
Proj 074240/2-1	84.318	11-0-314580							
<b>Passed thru to:</b>									
Burt			810.00			74.39	74.39		
Gwinn			810.00			74.39	74.39		
Ishpeming			810.00			68.19	68.19		
Marquette			810.00			72.24	72.24		
Munising			810.00			81.83	81.83		
Negaunee			810.00			74.39	74.39		
NICE			810.00			74.39	74.39		
Northstar			810.00			80.59	80.59		
Republic-Mich			810.00			86.79	86.79		
Superior Central			810.00			74.39	74.39		
Copper Country ISD			26,262.00			2,844.21	2,844.21		
Dickinson-Iron ISD			21,721.00			675.39	675.39		
Gogebic-Ontonagon ISD			22,308.00						
<b>Total Passed to Subrecipients</b>			<b>78,391.00</b>			<b>4,081.19</b>	<b>4,081.19</b>		
<b>Title V 2005-06</b>									
Proj 060250/0506	84.298	11-0-394160							
<b>Passed thru to:</b>									
Delta-Schoolcraft ISD			1,360.00		1,360.00				
Dickinson-Iron ISD			1,159.00			1,159.00	1,159.00		
Menominee ISD			629.00			629.00	629.00		
<b>Total Passed to Subrecipients</b>			<b>3,148.00</b>		<b>1,360.00</b>	<b>1,788.00</b>	<b>1,788.00</b>		
<b>Perkins 05-06</b>									
Proj 063520/6012-02	84.048A	11-0-414160							
<b>Passed thru to:</b>									
Gwinn			5,769.00		5,769.00				
Ishpeming			5,324.00	5,324.00	5,324.00		5,324.00		
Marquette			20,474.00		20,474.00				
Munising			4,196.00		4,196.00				
Negaunee			12,243.00		12,243.00				
NICE			11,929.00	11,929.00	11,929.00		11,929.00		
Superior Central			1,675.00	1,675.00	1,675.00		1,675.00		
<b>Total Passed to Subrecipients</b>			<b>61,610.00</b>	<b>18,928.00</b>	<b>61,610.00</b>		<b>18,928.00</b>		

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2006	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2007	Adjustments
<b>Perkins 06-07</b>									
Proj 073520/7012-2	84.048A	11-0-414170							
Passed thru to:									
Gwinn			5,702.00			5,702.00	5,702.00		
Ishpeming			5,259.00			5,259.00	5,259.00		
Marquette			20,275.00			20,275.00	20,275.00		
Munising			4,119.00			4,119.00	4,119.00		
Negaunee			12,038.00			11,657.53		11,657.53	
NICE			11,785.00			11,785.00	11,785.00		
Superior Central			1,647.00			1,647.00	1,647.00		
<b>Total Passed to Subrecipients</b>			<b>60,825.00</b>			<b>60,444.53</b>	<b>48,787.00</b>	<b>11,657.53</b>	
<b>Tech Prep 05-06</b>									
Proj 063540/6014-02	84.243A	11-0-414260							
Passed thru to:									
Bay De Noc Community College			12,985.00		12,985.00				
Delta-Schoolcraft ISD			29,592.00	24,140.76	29,592.00		24,140.76		
Dickinson-Iron ISD			16,144.00	11,985.64	16,144.00		11,985.64		
Menominee ISD									
<b>Total Passed to Subrecipients</b>			<b>58,721.00</b>	<b>36,126.40</b>	<b>58,721.00</b>		<b>36,126.40</b>		
<b>Tech Prep 06-07</b>									
Proj 073540/7014-2	84.243A	11-0-414270							
Passed thru to:									
Bay De Noc Community College			12,145.00			12,145.00	12,145.00		
Delta-Schoolcraft ISD			27,680.00			27,680.00	10,234.70	17,445.30	
Dickinson-Iron ISD			15,107.00			15,107.00	15,107.00		
Menominee ISD									
<b>Total Passed to Subrecipients</b>			<b>54,932.00</b>			<b>54,932.00</b>	<b>37,486.70</b>	<b>17,445.30</b>	
<b>Safe &amp; Drug Free Schools (7/1/05-6/30/06)</b>									
Proj 062860/0506	84.186A	11-0-614160							
Passed thru to:									
Autrain-Onota			55.00		55.00				
Bark River-Harris			1,543.00		1,543.00				
Big Bay de Noc			967.00		967.00				
Brietung			3,438.00		3,438.00				
Burt			203.00		203.00				
Esanaba Area Schools			7,639.00		7,639.00				
Forest Park			1,417.00		1,417.00				
Gladstone			3,289.00		3,289.00				

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award/	Due to (From)	Subrecipient	Subrecipient	Current Year Cash	Due to (From)	
Subrecipient Name	CFDA #	MARESA Program #	Contract Amount	Subrecipients 6/30/2006	Prior Year Expenditures	Current Year Expenditures	Trans to Recipients	Subrecipients 6/30/2007	Adjustments
Gwinn			4,156.00		4,156.00				
Iron Mountain			3,176.00		3,176.00				
Ishpeming			2,810.00		2,810.00				
Manistique			3,377.00		3,377.00				
Marquette			8,522.00		8,522.00				
Menominee			4,016.00		4,016.00				
Mid Peninsula			1,027.00		1,027.00				
Munising			1,942.00		1,942.00				
Nah Tah Wahsh PSA			150.00		150.00				
Negaunee			3,095.00		3,095.00				
NICE			2,235.00		2,235.00				
North Central			1,023.00		1,023.00				
North Dickinson			974.00		974.00				
North Star Academy			286.00		286.00				
Norway-Vulcan			1,716.00		1,716.00				
Powell			215.00		215.00				
Rapid River			941.00		941.00				
Republic-Michigamme			482.00		482.00				
Stephenson			2,070.48	2,070.48	2,070.48		2,070.48		
Superior Central			1,237.00		1,237.00				
Wells			28.00		28.00				
West Iron County			3,545.00		3,545.00				
<b>Total Passed to Subrecipients</b>			<b>65,574.48</b>	<b>2,070.48</b>	<b>65,574.48</b>		<b>2,070.48</b>		
<b>Safe &amp; Drug Free Schools (7/1/06-6/30/07)</b>									
<b>Proj 062860/0607</b>	<b>84.186A</b>	<b>11-0-614161</b>							
Passed thru to:									
Stephenson			505.00			505.00	505.00		
<b>Total Passed to Subrecipients</b>			<b>505.00</b>			<b>505.00</b>	<b>505.00</b>		
<b>Safe &amp; Drug Free Schools (7/1/06-6/30/07)</b>									
<b>Proj 072860/0607</b>	<b>84.186A</b>	<b>11-0-614170</b>							
Passed thru to:									
Autrain-Onota			43.00			43.00	43.00		
Dark River-Harris			1,237.00			1,237.00	1,237.00		
Big Bay de Noc			744.00			744.00		744.00	
Brietung			2,522.00			2,522.00	2,522.00		
Burt			69.00			69.00	69.00		
Escanaba Area Schools			5,573.00			4,974.19	4,974.19		
Forest Park			1,004.00			1,004.00	1,004.00		
Gladstone			2,456.00			2,456.00		2,456.00	
Gwinn			3,219.00			3,219.00	3,219.00		

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2006	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2007	Adjustments
Subrecipient Name	CFDA #	MARESA Program #							
Iron Mountain			2,286.00			2,286.00	2,286.00		
Ishpeming			1,978.00			1,978.00	1,978.00		
Manistique			2,355.00			2,355.00	2,355.00		
Marquette			4,980.00			4,980.00		4,980.00	
Menominee			3,106.00			3,106.00		3,106.00	
Mid Peninsula			692.00			692.00	692.00		
Munising			1,378.00			1,378.00	1,378.00		
Nah Tah Wahsh PSA			396.00						
Negaunee			2,275.00			2,275.00	2,275.00		
NICE			1,731.00			1,731.00	1,731.00		
North Central			736.00			300.00		300.00	
North Dickinson			698.00			698.00	698.00		
North Star Academy			191.00			191.00	191.00		
Norway-Vulcan			1,255.00			1,255.00	1,255.00		
Powell			60.00			60.00	60.00		
Rapid River			700.00			693.76	693.76		
Republic-Michigamme			322.00			322.00	322.00		
Stephenson			1,800.00			1,800.00	820.00	980.00	
Superior Central			880.00			880.00	880.00		
Wells			16.00			16.00	16.00		
West Iron County			2,585.00			2,585.00		2,585.00	
<b>Total Passed to Subrecipients</b>			<b>47,287.00</b>			<b>45,849.95</b>	<b>30,698.95</b>	<b>15,151.00</b>	
<b>SPP Grant (10/1/06-9/30/07)</b>									
Proj 070470-2D33	84.027	11-0-934170							
Passed thru to:									
Bay-Arenac ISD									
MI Assoc of Secondary School Principals			7,500.00						
MI Rehabilitation			5,000.00			5,000.00	5,000.00		
MI CEC			12,250.00			12,250.00	12,250.00		
<b>Total Passed to Subrecipients</b>			<b>24,750.00</b>			<b>17,250.00</b>	<b>17,250.00</b>		
<b>LEA Medicaid Outreach</b>									
Proj *****	93.778	22-0-194100							
Passed thru to:									
Autrain-Onota									
Burt									
Gwinn									
Ishpeming									
Marquette									
Munising									
Negaunee									

\$34,427.40 Received this year....recorded payable to LEA's....no actual transfer to them until backcasting is

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award	Due to (From)	Subrecipient	Subrecipient	Current Year Cash	Due to (From)	
Subrecipient Name	CFDA #	MARESA Program #	Contract Amount	Subrecipients 6/30/2006	Prior Year Expenditures	Current Year Expenditures	Trans to Recipients	Subrecipients 6/30/2007	Adjustments
NICE						complete.			
Northstar									
Republic-Mich									
Superior Central									
Wells									
<b>Total Passed to Subrecipients</b>									
LEA Medicaid FFS-Transportation									
Proj *****	93.778	22-0-194200							
Passed thru to:									
Autrain-Onota									
Burt									
Gwinn			573.64		527.12	573.64	573.64		
Ishpeming			1,631.72		6,662.09	1,631.72	1,631.72		
Marquette			3,090.38		8,585.67	3,090.38	3,090.38		
Munising					432.99				
Negaunee			2,035.53		1,236.34	2,035.53	2,035.53		
NICE			1,221.98		2,526.08	1,221.98	1,221.98		
Northstar									
Powell									
Republic-Mich									
Superior Central									
Wells									
<b>Total Passed to Subrecipients</b>			<b>8,553.25</b>		<b>17,970.29</b>	<b>8,553.25</b>	<b>8,553.25</b>		
Flow Through									
Proj 060450/0506	84.027A	22-0-714160							
Passed thru to:									
Autrain			1,515.43		1,515.43				
Burt			3,125.39	3,006.00	3,125.39		3,006.00		
Gwinn			60,952.37	56,099.00	60,952.37		56,099.00		
Ishpeming			43,627.99	41,651.84	43,627.99		41,651.84		
Marquette			154,108.61	37,457.37	154,108.61		37,457.37		
Munising			54,386.07	26,383.22	54,386.07		26,383.22		
Negaunee			61,077.10	17,881.09	61,077.10		17,881.09		
NICE			53,409.43	51,519.00	53,409.43		51,519.00		
Northstar			2,469.30	2,348.00	2,469.30		2,348.00		
Powell			2,433.79	2,285.00	2,433.79		2,285.00		
Republic-Mich			6,905.57		6,905.57				
Superior Central			16,453.69	15,317.48	16,453.69		15,317.48		
Wells			1,994.00	1,994.00	1,994.00		1,994.00		
<b>Total Passed to Subrecipients</b>			<b>462,458.74</b>	<b>255,942.00</b>	<b>462,458.74</b>		<b>255,942.00</b>		

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed CFDA #	MARESA Program #	Subrecipient Award/ Contract Amount	Due to (From) Subrecipients 6/30/2006	Subrecipient Prior Year Expenditures	Subrecipient Current Year Expenditures	Current Year Cash Trans to Recipients	Due to (From) Subrecipients 6/30/2007	Adjustments
Flow Through									
Proj 070450/0607	84.027A	22-0-714170							
Passed thru to:									
Autrain			1,806.00			1,474.52	1,474.52		
Burt			3,765.00						
Gwinn			65,084.00			63,961.67	34,606.22	29,355.45	
Ishpeming			47,993.00			47,357.56	47,357.56		
Marquette			152,089.00			143,691.44	73,426.93	70,264.51	
Munising			38,547.00			37,938.80	19,183.00	18,755.80	
Negaunee			64,616.00			62,137.44	44,955.01	17,182.43	
NICE			54,777.00			53,578.64	1,530.72	52,047.92	
Northstar			3,684.00			3,251.69	489.02	2,762.67	
Powell			2,629.00			2,426.00	376.16	2,049.84	
Republic-Mich			6,886.00			6,582.68	6,582.68		
Superior Central			18,302.00			17,549.90	17,549.90		
Wells			1,281.00			1,049.49		1,049.49	
Total Passed to Subrecipients			461,459.00			440,999.63	247,531.72	193,467.91	
Preschool 2005-06 (7/1/06-6/30/07)									
Proj 060460-0506	84.173A	22-0-714560							
Passed thru to:									
Gwinn			1,000.00		1,000.00				
Ishpeming			1,000.00	1,000.00	1,000.00		1,000.00		
Marquette			1,000.00			1,000.00	1,000.00		
Munising			1,000.00		1,000.00				
Negaunee			1,000.00	1,000.00	1,000.00		1,000.00		
NICE			1,000.00		1,000.00				
Total Passed to Subrecipients			6,000.00	2,000.00	5,000.00	1,000.00	3,000.00		
Personnel Development 05/06									
Proj 060470-1D33	84.027A	22-0-744360							
Passed thru to:									
Bad Axe Public Schools									
Bay City Public Schools									
Bedford Public Schools									
Berkley School District									
Calendonia Community Schools									
Calhoun ISD									
Center Line Public Schools									
Cheboygan Area Schools									
Comstock Public Schools									

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award/	Due to (From)	Subrecipient	Subrecipient	Current Year Cash	Due to (From)	
Subrecipient Name	CFDA #	MARESA Program #	Contract Amount	Subrecipients 6/30/2006	Prior Year Expenditures	Current Year Expenditures	Trans to Recipients	Subrecipients 6/30/2007	Adjustments
CrossRoads Charter Academy									
Dearborn Academy									
Dearborn Public Schools									
Eaton Rapids Public Schools			8,826.87		8,826.87				
Fenton Area Public Schools									
Greenville Public Schools			10,000.00		10,000.00				
Harper Woods Schools									
Holt Public Schools			9,989.00	603.00	6,158.00	3,831.00	4,434.00		
Hedke Elementary Schools									
Holly Academy									
Huron Valley Schools									
Huron ISD									
Ionla Public Schools									
Kalamazoo Public Schools									
Kentwood Public Schools-East									
Kentwood Public Schools Wedgewood									
Lansing School District			7,810.11			7,810.11	7,810.11		
Lewis Cass ISD									
Mason Lake ISD									
Mason Public Schools									
Mecosta-Oshtemo ISD									
Millington Community Schools									
Montabella Community Schools									
Morenci Public Schools									
Morley Stanwood Community									
Mount Clemens Community									
Murphy Elementary Schools									
NICE Community Schools									
Northview Public Schools									
Ostego Public Schools									
Perry Public Schools									
Plainwell Community Schools									
Pleasant Lake Elementary Schl									
Pontiac School District									
Redford Union School District									
Reese Public Schools									
Remus Elementary									
St Clair Co ISD									
Southfield Public Schools									
Traverse Bay Area ISD									
Traverse City Area Public			25,000.00		25,000.00				
Tri County Area Schools									

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award	Due to (From)	Subrecipient	Subrecipient	Current Year Cash	Due to (From)	
Subrecipient Name	CFDA #	MARESA Program #	Contract Amount	Subrecipients 6/30/2006	Prior Year Expenditures	Current Year Expenditures	Trans to Recipients	Subrecipients 6/30/2007	Adjustments
Van Buren ISD									
Waterford School District			16,653.00		17,416.00	1,237.00	1,237.00		
West Bloomfield School District									
West Ottawa Public Schools			9,415.52		9,415.52				
Williamston Community Schools									
Wyoming Public Schools									
MAASE									
MASSW									
Northern Michigan University			725.00		725.00				
State-wide Spec Ed Parent Conf									
West Michigan Inclusion Network									
Michigan Council for Excp Children			5,000.00		5,000.00				
<b>Total Passed to Subrecipients</b>			<b>95,419.50</b>	<b>603.00</b>	<b>82,541.39</b>	<b>12,878.11</b>	<b>13,481.11</b>		
<b>State Improvement Grant (09/01/05-08/31/07)</b>									
<b>Proj 060620/03001</b>	<b>84.323A</b>	<b>22-0-744460</b>							
<b>Passed thru to:</b>									
Allegan County ISD									
Beck Evaluation & Testing									
Belmont Elementary School									
Clare-Galwin RESD			1,708.94			1,708.94	1,708.94		
Ingham ISD									
Oakland Schools									
Oakland University									
Parkside Elementary School									
Redford Union School			223.18	223.18	223.18		223.18		
Sparta Area Schools - High									
Sparta Area Schools - Middle			15,000.00	15,000.00	15,000.00		15,000.00		
St. Joseph County ISD									
Saginaw ISD									
Shiawassee RESD									
Wayne RESA									
<b>Total Passed to Subrecipients</b>			<b>16,932.12</b>	<b>15,223.18</b>	<b>15,223.18</b>	<b>1,708.94</b>	<b>16,932.12</b>		
<b>State Improvement Grant (9/1/06-8/31/07)</b>									
<b>Proj 070620/03001</b>	<b>84.323A</b>	<b>22-0-744470</b>							
<b>Passed thru to:</b>									
Clare-Galwin RESD			25,000.00						
Wayne RESA			352.64						
<b>Total Passed to Subrecipients</b>			<b>25,352.64</b>						

SCHEDULE OF FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS  
MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
YEAR ENDED JUNE 30, 2007

Program Title/ Grant Number	Fed		Subrecipient Award/	Due to (From)	Subrecipient	Subrecipient	Current Year Cash	Due to (From)	
Subrecipient Name	CFDA #	MARESA Program #	Contract Amount	Subrecipients 6/30/2006	Prior Year Expenditures	Current Year Expenditures	Trans to Recipients	Subrecipients 6/30/2007	Adjustments
UPAN (Autism Project) (9/1/05-9/15/06)									
Proj 060490-3D51	84.027A	22-0-794260							
Total Passed to Subrecipients									
Burt			74.39		74.39				
Gwinn									
Ishpeming			272.77		272.77				
Marquette			144.44		144.44				
Munising			163.67		163.67				
Negaunee			669.55		669.55				
Nice									
Copper Country ISD			3,352.00	2,022.00	3,352.00		2,022.00		
Delta-Schoolcraft ISD			5,654.00	2,514.64	3,352.00	2,302.00	4,816.64		
Dickinson-Iron ISD			3,352.00		3,352.00				
Eastern UP ISD			4,399.00		4,399.00				
Gogebic-Ontonagon ISD			10,513.84			10,513.84	10,513.84		
Menominee County ISD			3,352.00	2,636.00	3,352.00		2,636.00		
Total Passed to Subrecipients			31,947.66	7,172.64	19,131.82	12,816.84	19,988.48		
UPAN (Autism Project) (9/1/06-8/31/07)									
Proj 070470-3D51	84.027A	22-0-794270							
Total Passed to Subrecipients									
Burt									
Gwinn									
Ishpeming									
Marquette									
Munising									
Negaunee									
Nice									
Copper Country ISD			3,000.00			2,347.94	1,131.89	1,216.05	
Delta-Schoolcraft ISD									
Dickinson-Iron ISD			2,302.00			2,302.00	498.11	1,803.89	
Eastern UP ISD			4,244.00			2,457.57	1,068.24	1,389.33	
Gogebic-Ontonagon ISD			2,777.00			1,430.72	219.95	1,210.77	
Menominee County ISD			2,302.00			1,867.97	927.18	940.79	
Total Passed to Subrecipients			14,625.00			10,406.20	3,845.37	6,560.83	
TOTAL FEDERAL FINANCIAL AWARDS PROVIDED TO SUBRECIPIENTS									
			1,578,491.39	338,065.70	789,590.90	673,212.64	766,995.77	244,282.57	

## COMPLIANCE SECTION



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education  
Marquette-Alger Regional Educational Service Agency  
Marquette, Michigan 49855

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Marquette-Alger Regional Educational Service Agency as of and for the year ended June 30, 2007, which collectively comprise Marquette-Alger Regional Educational Service Agency's basic financial statements and have issued our report thereon dated October 26, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Marquette-Alger Regional Educational Service Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Marquette-Alger Regional Educational Service Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Marquette-Alger Regional Educational Service Agency's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Marquette-Alger Regional Educational Service Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Marquette-Alger Regional Educational Service Agency's financial statements that is more than inconsequential will not be prevented or detected by Marquette-Alger Regional Educational Service Agency's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Marquette-Alger Regional Educational Service Agency's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Education  
Marquette-Alger Regional Educational Service Agency  
Marquette, Michigan 49855

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marquette-Alger Regional Educational Service Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education, management, and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

October 26, 2007



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education  
Marquette-Alger Regional Educational Service Agency  
Marquette, Michigan 49855

#### Compliance

We have audited the compliance of Marquette-Alger Regional Educational Service Agency with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Marquette-Alger Regional Educational Service Agency's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Marquette-Alger Regional Educational Service Agency's management. Our responsibility is to express an opinion on Marquette-Alger Regional Educational Service Agency's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Marquette-Alger Regional Educational Service Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Marquette-Alger Regional Educational Service Agency's compliance with those requirements.

In our opinion, Marquette-Alger Regional Educational Service Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

#### Internal Control Over Compliance

The management of Marquette-Alger Regional Educational Service Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Marquette-Alger Regional Educational

Board of Education  
Marquette-Alger Regional Educational Service Agency  
Marquette, Michigan 49855

Service Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition, in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Board of Education, management, and federal awarding agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

October 26, 2007

MARQUETTE ALGER REGIONAL EDUCATIONAL SERVICE AGENCY  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2007

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2007
<b>U.S. Department of Education:</b>							
<b>Passed through Mich. Department of Education:</b>							
Title I Grants to Local Educational Agencies							
Part A							
Project 061530 0506	84.010	\$ 13,509	\$ 13,509	\$ 13,509	\$ -	\$ 13,509	\$ -
Project 071530 0607	84.010	21,805	-	-	21,805	-	21,805
Project 061570 0607	84.010	70,000	-	-	8,173	-	8,173
Part D							
Project 051700 0506	84.013	17,929	17,929	3,883	-	3,883	-
Project 061700 0506	84.013	25,185	18,048	3,255	7,117	10,372	-
Project 061700 0607	84.013	8,850	-	-	8,850	3,186	5,664
Project 071700 0607	84.013	20,882	-	-	13,094	10,333	2,761
<b>TOTAL</b>		<b>178,140</b>	<b>49,486</b>	<b>20,647</b>	<b>59,039</b>	<b>41,283</b>	<b>38,403</b>
Special Education Grants to State							
P.L. 94-142 Flow Through							
Project 060450 0506	84.027	2,081,475	1,727,333	582,055	354,142	936,197	-
Project 070450 0607	84.027	2,093,941	-	-	1,819,054	1,136,499	682,555
Special Education IDEA/ISD							
Project 060470 1D33	84.027	151,017	126,682	83,190	24,335	107,525	-
Project 060470 2D33	84.027	1,453,445	989,999	190,236	463,445	653,681	-
Project 060470 2D33C	84.027	800,000	-	-	382,162	131,210	230,952
Project 070470 2D33	84.027	2,275,000	-	-	1,199,118	1,128,347	70,771
State Initiated Competitive							
Project 060480 EQSD	84.027	50,000	50,000	12,839	-	12,839	-
Project 040480 TMT	84.027	-	-	-	-	-	-
Project 070480 EQSD	84.027	50,000	-	-	50,000	43,417	6,583
State Ed. IDEA State Initiated Department							
Project 060490 TS	84.027	70,000	70,000	9,481	-	9,481	-
Project 070440 0607	84.027	2,950	-	-	2,950	2,190	780
Project 070490 TS	84.027	70,000	-	-	70,000	51,480	18,520
<b>TOTAL</b>		<b>8,897,828</b>	<b>2,954,014</b>	<b>877,801</b>	<b>4,345,206</b>	<b>4,212,865</b>	<b>1,010,141</b>

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2007
<b>Special Education - Preschool Grants</b>							
Project 060460 0506	84.173	\$ 105,756	\$ 104,756	\$ 29,314	\$ 1,000	\$ 30,314	\$ -
Project 070460 0607	84.173	104,487	-	-	100,908	81,163	19,745
<b>TOTAL</b>		<b>210,243</b>	<b>104,756</b>	<b>29,314</b>	<b>101,908</b>	<b>111,477</b>	<b>19,745</b>
<b>Special Education - Infants &amp; Families with Disabilities</b>							
<b>Infant &amp; Toddler Formula Grants</b>							
Project 061340 190	84.181	113,237	81,025	12,078	32,212	44,290	-
Project 071340 190	84.181	113,998	-	-	88,297	67,027	21,270
Project 051340 190	84.181	119,328	119,328	3,077	-	3,077	-
<b>TOTAL</b>		<b>346,563</b>	<b>200,353</b>	<b>15,155</b>	<b>120,509</b>	<b>114,394</b>	<b>21,270</b>
<b>Safe &amp; Drug Free Schools &amp; Communities - State Grants</b>							
<b>Drug Free Formula</b>							
Project 062860 0506	84.186	136,111	136,111	38,290	-	38,290	-
Project 052860 0506	84.186	13,253	13,253	266	-	266	-
Project 062860 0607	84.186	31,707	-	-	31,707	13,492	18,215
Project 072860 0607	84.186	123,666	-	-	75,406	26,167	49,239
<b>TOTAL</b>		<b>304,737</b>	<b>149,364</b>	<b>38,556</b>	<b>107,113</b>	<b>78,215</b>	<b>67,454</b>
<b>Homeless Children &amp; Youths</b>							
<b>HAA VII-B Homeless Child Education</b>							
Project 052320 RC0506	84.196	131,905	118,145	18,951	13,760	32,711	-
Project 072320 0607	84.196	126,761	-	-	109,187	77,168	32,019
<b>TOTAL</b>		<b>258,666</b>	<b>118,145</b>	<b>18,951</b>	<b>122,947</b>	<b>109,879</b>	<b>32,019</b>
<b>Voc Ed. Tech-prep Education</b>							
<b>Voc Ed. Technical Prep</b>							
Project 063540 601402	84.243	103,875	103,875	52,182	-	52,182	-
Project 073540 701402	84.243	97,166	-	-	97,166	57,411	39,755
<b>TOTAL</b>		<b>201,041</b>	<b>103,875</b>	<b>52,182</b>	<b>97,166</b>	<b>109,593</b>	<b>39,755</b>
<b>Innovative Education Program Strategies</b>							
<b>Title V LEA Allocation</b>							
Project 060250 0506	84.298	10,782	2,270	-	8,512	8,512	-
Project 070250 0607	84.298	5,412	-	-	417	425	(8)
<b>TOTAL</b>		<b>16,194</b>	<b>2,270</b>	<b>-</b>	<b>8,929</b>	<b>8,937</b>	<b>(8)</b>
<b>Technology Literacy Challenge Funds Grant</b>							
<b>Title II, Part D - Enhancing Education Through Technology</b>							
Project 074240	84.318	199,925	-	-	97,310	140	97,170
<b>TOTAL</b>		<b>199,925</b>	<b>-</b>	<b>-</b>	<b>97,310</b>	<b>140</b>	<b>97,170</b>
<b>State Program Improvement Grants</b>							
<b>State Improvement</b>							
Project 060620 03001	84.323	1,386,000	671,875	373,018	714,125	1,047,454	39,689
Project 070620 03001	84.323	1,386,000	-	-	304,470	134,422	170,046
<b>TOTAL</b>		<b>2,772,000</b>	<b>671,875</b>	<b>373,018</b>	<b>1,018,595</b>	<b>1,181,876</b>	<b>209,737</b>

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2007
Improving Teacher Quality State Grant State Grant Title II Part A Project 060520 0506 Project 070520 0607	84.367 84.367	\$ 194 194	\$ 194 -	\$ 83 -	\$ - 194	\$ 83 -	\$ - 194
<b>TOTAL</b>		<b>388</b>	<b>194</b>	<b>83</b>	<b>194</b>	<b>83</b>	<b>194</b>
<b>TOTAL PASSED THROUGH MDE</b>		<b>13,385,725</b>	<b>4,364,332</b>	<b>1,425,707</b>	<b>6,078,916</b>	<b>5,068,743</b>	<b>1,535,880</b>
<b>Pass-Through Grand Valley State University</b> Special Education Grants to State IDA Part B State Mandated Activities Grant RCN-UPAN Autism Project 070470-3D51 Project 060490-3D51	84.027 84.027	28,516 45,914	- 27,594	- (18,320)	28,516 18,320	36,423 -	(7,907) -
<b>TOTAL</b>		<b>74,430</b>	<b>27,594</b>	<b>(18,320)</b>	<b>46,836</b>	<b>36,423</b>	<b>(7,907)</b>
<b>Pass-Through Delta Schoolcraft Intermediate Schools</b> Vocational Education Grant Perkins Project 06012-02 Project 073520 7012-2	84.048 84.048	112,824 107,328	112,824 -	80,700 -	- 107,328	80,700 59,043	- 48,285
<b>TOTAL</b>		<b>220,152</b>	<b>112,824</b>	<b>80,700</b>	<b>107,328</b>	<b>139,743</b>	<b>48,285</b>
<b>Pass-Through Dickinson-Iron Intermediate School District</b> Teaching American History Grant (Building bridges) Project U215X040066 Project U215X040066	84.215 84.215	36,328 36,328	36,328 -	26,364 -	- 36,328	26,364 8,370	- 27,958
<b>TOTAL</b>		<b>72,656</b>	<b>36,328</b>	<b>26,364</b>	<b>36,328</b>	<b>34,734</b>	<b>27,958</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<b>13,752,963</b>	<b>4,541,078</b>	<b>1,514,451</b>	<b>6,269,408</b>	<b>6,179,643</b>	<b>1,604,216</b>
<b>U.S. Department of Health &amp; Human Services</b> <b>Pass through Pathways Northcare Network Substance Abuse</b> <b>Coordinating Agency</b> Block Grants for Prevention & Treatment of Substance Abuse Project 00 B1 MI SAPT 05-06 Project 00 B1 MI SAPT 06-07	93.959 93.959	84,925 60,000	84,925 -	36,423 -	- 60,000	36,423 60,000	- -
<b>TOTAL</b>		<b>144,925</b>	<b>84,925</b>	<b>36,423</b>	<b>60,000</b>	<b>96,423</b>	<b>-</b>
<b>SAMHSA</b> 1 H79 SP13 154-01 1 H79 SP13 154-01	93.276 93.276	50,264 47,000	43,736 -	37,133 -	3,284 40,762	40,397 8,975	- 31,887
<b>TOTAL</b>		<b>97,264</b>	<b>43,736</b>	<b>37,133</b>	<b>44,026</b>	<b>49,272</b>	<b>31,887</b>
<b>TOTAL U.S. DEPARTMENT OF HHS</b>		<b>242,189</b>	<b>128,661</b>	<b>73,566</b>	<b>104,026</b>	<b>145,695</b>	<b>31,887</b>

Federal Grantor Pass Through Grantor Program Title Grant Number	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditure	Accrued (Deferred) Revenue July 1, 2006	Current Year Expenditures	Current Year Cash Receipts	Accrued (Deferred) Revenue June 30, 2007
<b>Corporation for National and Community Service</b>							
<b>Pass through Michigan Department of Human Services</b>							
<b>Learn and Serve</b>							
Project MCSC ISDLS F 05/06	94.004	\$ 50,000	\$ 31,581	\$ 6,824	\$ 18,419	\$ 25,243	\$ -
Project MCSC SBLs F-151/07 06/07	94.004	24,500	-	-	22,023	13,410	8,613
<b>TOTAL</b>		<b>74,500</b>	<b>31,581</b>	<b>6,824</b>	<b>40,442</b>	<b>38,653</b>	<b>8,613</b>
<b>Americorps</b>							
Project MCSC MAC F-205 06	94.006	201,490	163,888	31,303	30,448	61,751	-
Project MCSC MAC F-225 07	94.006	175,961	-	-	143,483	103,301	40,182
<b>TOTAL</b>		<b>377,451</b>	<b>163,888</b>	<b>31,303</b>	<b>173,931</b>	<b>165,052</b>	<b>40,182</b>
<b>TOTAL CORPORATION FOR NCS</b>		<b>451,951</b>	<b>195,469</b>	<b>38,127</b>	<b>214,373</b>	<b>203,705</b>	<b>48,795</b>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		<b>\$ 14,447,103</b>	<b>\$ 4,865,208</b>	<b>\$ 1,626,134</b>	<b>\$ 6,587,807</b>	<b>\$ 6,529,043</b>	<b>\$ 1,684,898</b>

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

**NOTE A – OVERSIGHT AGENCY:**

The U.S. Department of Education is the current year's oversight agency for the single audit as determined by the agency providing the largest share of Marquette-Alger Regional Educational Service Agency's federal awards.

**NOTE B – BASIS OF ACCOUNTING:**

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**NOTE C – FINAL COST REPORT – FORM DS-4044:**

The final cost reports are not due until 60 days after the end of the grant period. The reports for the current year were not completed as of the date of our report. However, we reviewed the reports filed for the prior year grants and noted that they agreed with either the prior year audited figures or the prior year and current year audited figures combined.

**NOTE D – SCHEDULE OF FEDERAL AWARDS:**

Current Payments per Grant Auditor Report		\$4,559,838
Less Payments on Grant Auditor Report included in prior years:		
Title I Part D	\$(14,793)	
Flow Through	(1,145,278)	
Preschool Grants	(75,442)	
Infant and Toddler Formula Grants	(68,947)	
Drug Free Formula	(97,821)	
HAA VII-B Homeless Child Education	(99,194)	
Voc Ed. Technical Prep	(51,693)	
Title V LEA Allocation	(2,270)	(1,555,438)
Add payments not on Grant Auditor Report:		
Title I Part A	8,173	
Special Education IDEA/ISD	2,049,060	
HAA VII-B Homeless Child Education	13,760	
State Improvement Grant	1,018,595	
RCN-UPAN Autism	46,836	
Perkins	107,328	
Teaching American History Grant (Building Bridges)	36,328	

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2007

**NOTE D – SCHEDULE OF FEDERAL AWARDS (Continued):**

Block Grants for Prevention & Treatment of Substance Abuse	\$60,000	
SAMHSA	44,026	
Learn and Serve	40,442	
Americorps	173,931	\$3,598,479
<hr/>		
Less Payments on Grant Auditor Report Paid July 2, 2007:		
Recorded as receivable at June 30, 2007:		
Tech Prep	(1,320)	
Free Schools and Communities	(4,260)	
Safe and Drug Free Schools	(890)	
Early on Michigan	(7,874)	
Freedom to Learn	(28,579)	
Title I Part D	(2,108)	
Homeless Students' Assistance Grant	(9,289)	
Service Provider Self Review	(760)	
Flowthrough	(190,290)	
Preschool	(7,803)	
EOSD	(6,204)	
Transition Services	(8,352)	(267,729)
<hr/>		
Less Payments on Grant Auditor Report:		
Recorded as receivable at June 30, 2006:		
Title I Part A	(13,509)	
Title I Part D	(3,255)	
Flow Through	(582,055)	
Preschool Grants	(29,314)	
Infant and Toddler Formula Grant	(12,078)	
Drug Free Formula	(38,290)	
Voc Ed. Technical Prep	(52,182)	
State Grant Title II Part A	(83)	\$(730,766)
<hr/>		
Add Payments not on Grant Auditor Report:		
Recorded as receivable at June 30, 2007:		
Title I Part A	21,805	
Title I Part D	8,425	

**MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

For the Year Ended June 30, 2007

**NOTE D – SCHEDULE OF FEDERAL AWARDS (Continued):**

Special Education Flow Through	\$682,555	
State Initiated Competitive	6,583	
State Ed. IDEA State Initiated Department	19,280	
Special Education – Preschool Grants	19,745	
Infant & Toddler Formula Grants	21,270	
Drug Free Formula	67,454	
HAA VII – B Homeless Child Education	32,019	
Voc Ed. Technical Prep	39,755	
Title V LEA Allocation	(8)	
Title II, Part D – Enhancing Education Through Technology	97,170	
State Grant Title II Part A	194	\$1,016,247
<hr/>		
Adjustments:		
Minor Reconciling Items		(32,824)
TOTAL FEDERAL AWARDS EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS		<u>\$6,587,807</u>

A reconciliation of expenditures on the Schedule of Federal Awards to federal revenue recognized is as follows:

<b>GENERAL FUND:</b>	
Total Federal Revenue Sources Reported in the Financial Statements	\$2,979,695
<b>SPECIAL EDUCATION SPECIAL REVENUE FUND:</b>	
Federal Sources - Reported in the Financial Statements	3,653,159
<b>ADJUSTMENTS:</b>	
Minor Reconciling Items	(45,147)
TOTAL FEDERAL AWARD EXPENDITURES REPORTED IN THE SCHEDULE OF FEDERAL AWARDS	<u>\$6,587,807</u>

**NOTE E – VENDOR PAYMENTS:**

CFDA 84.357 Reading First State Grants is included on the R7120 for Marquette-Alger Regional Educational Service Agency for the year ended June 30, 2007 in the amount of \$123,931. Marquette-Alger Regional Education Service Agency has a contract with the State of Michigan whereby the Agency is a paid vendor for services provided. As such, CFDA 84.357 is not listed on the Schedule of Expenditures of Federal Awards.

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2007

**SUMMARY OF AUDIT RESULTS:**

1. The auditors' report expresses an unqualified opinion on the financial statements of Marquette-Alger Regional Educational Service Agency.
2. No reportable conditions were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Marquette-Alger Regional Educational Service Agency, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No reportable conditions were disclosed regarding the major federal award programs.
5. The auditors' report on compliance for the major federal award programs for Marquette-Alger Regional Educational Service Agency expresses an unqualified opinion on all major federal programs.
6. There are no audit findings that require disclosure under Section 510(a) of OMB Circular A-133.
7. The programs tested as major were:

Grants for Infants and Families with Disabilities	CFDA #84.181
Safe and Drug Free Schools and Communities	CFDA #84.186
Education for Homeless Children and Youth	CFDA #84.196
Tech Prep Education	CFDA #84.243
Enhancing Education Through Technology (Title II, Part D)	CFDA #84.318
Michigan State Improvement Grant	CFDA #84.323
Basic Grants to States – Perkins	CFDA #84.048
Americorps	CFDA #94.006
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. Marquette-Alger Regional Educational Service Agency qualified as a low-risk auditee.

**FINDINGS – FINANCIAL STATEMENT AUDIT:**

None

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT:**

None

MARQUETTE-ALGER REGIONAL EDUCATIONAL SERVICE AGENCY

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

For the year June 30, 2007

There were no financial statement findings nor findings and questioned costs for major federal awards in the prior year.